



•Mulcahy Accounting & Risk Consulting•

William J. Mulcahy, CIA

August 9, 2016

Mayor John Ernst
City Council Members
City of Brookhaven

Dear Mayor Ernst and City Council Members,

This report of the City Internal Auditor reports on the internal audits performed year to date. The internal audit plan for fiscal year 2016 was approved in December 2015 by the Mayor, City Council, City Manager and City Finance Director at that time. The scope and results to date are shown below:

1st Quarter 2016 Scope - (Note this is the 4th and final internal audit from the first year of contract which started in May 2015) Municipal Court – review policy and procedures including collections. Further, in the 2015 legislative session, House Bill 310 was passed and then signed by the Governor. The internal audit would include a review to determine if the new provisions of HB 310 have been appropriately implemented.

Results: I requested the Municipal Court policy and procedures and found out such a document has yet to be prepared. The City founded in 2012 has been around long enough that such a document should have been prepared and being followed. I looked at collection on a test basis, even without a policy to follow, and found no exceptions on cash collections being deposited in the bank. However, I did note in my test month of February 2016, that the bank account was not being properly reconciled, and while daily cash collections were being reconciled, credit card collections were not being reconciled. I also noted that credit for the deposit on certain days were taking longer than I would have expected. I recommend, the policy and procedures manual be prepared and brought to City Council and the Mayor for their review and approval. Further, I recommend cash reconciliation procedures be established and followed.

I spent the day of February 18, 2016 observing in Municipal Court. Observations / recommendations I have as a result include:

1. I observed a case that was dismissed, but the \$730.00 owed from the citation was not zeroed out. My inquiries resulted in agreement that is what should be done, but understand there is a software issue. I recommend the issue be fixed and for all cases that have been dismissed, the accounts need to be zeroed out.

2. I noted cases go on probation and set up a payment plan but then do not follow through on their agreed payment plan. The procedure related to such cases should be to bring the person back to court, to set a revised plan or community service, however that is almost

never done. Nonpayment on certain cases could be related to write off of accounts caused by House Bill 310's provisions that shortened the time Brookhaven has to collect on cases on probation, but if so the documentation was not available. I recommend that the probation service vendor recommend bringing back to court those cases where the payment plan is not followed. I understand Brookhaven plans to review compliance with the contractor and if need be to rebid the contract.

1st Quarter 2016 Ethics in Procurement, section IV in Financial Management Policies and Purchasing Policy approved 5/27/14 by the Mayor and City Council, includes part A4, which states, All Employees and Officials will be asked to sign a disclosure document indicating his or her compliance with the City Ethics Policy. Also consider a whistle blower communication line, a.k.a. Hotline.

Results – As it relates to people with purchasing cards, Brookhaven has implemented the disclosure document indicating compliance with the City Ethics Policy via a signed disclosure document. Such a document also needs to be completed by those authorized to make purchases who do not have a purchasing card, if any. Further, I agree with the City Manager that more could be done to document Ethics compliance per the Brookhaven, Georgia Code of Ordinances Article X Ethics. In addition, the City Manager wants to move forward with implementing the recommended whistle blower communication line.

2nd Quarter 2016 Police Department with consideration for such areas as: overtime, accreditation, police officer driving records and accidents, use of fire arms, evidence inventory policy and procedures.

Results – The Police provided to me the policy and procedures in each of the areas above and I checked compliance on a test basis without any exceptions.

3rd Quarter 2016 Hotel motel tax, including compliance with rules on collection, spending and IRS reporting.

4th Quarter 2016 Travel and expense documentation and reimbursements including p-cards and follow up on duplicate payments and slow payments by the City of Brookhaven.

Risks mentioned in connection with Risk Assessment

Update as of 8/9/16, the City Manager agrees with the suggestion below re: an Audit Committee and he and I plan to work together to bring a recommendation back to the Mayor and City Council.

- Organizational management, including 1099 independent contractors vs. employees, and answering the following questions, is Brookhaven a workplace of choice? Has turnover resulted in a brain drain? What is the Brookhaven culture?
- Review Communications Department turnover.
- Purchasing policy and procedures.

- Accounts payable policy and procedures.
- Tyler system implementation.
- Permit fees revenue and expense.
- Homestead Optional Sales Tax (HOST) funds.
- Alcohol to food sales ratio.
- Training sessions and forms for hotel motel taxes collections.
- Parks and recreation.
- Festival financial report, including how to account for police and park employees' overtime pay, and billings to sponsors.
- Turnover in IT.
- Federal, state and local grants & contract compliance & documentation.
- Process for selection of streets to pave and administration of the paving contract including quality control procedures.
- **Consider having an Audit Committee made up of volunteer members who live in Brookhaven and have an audit and or financial expertise. Committee would review audit matters. Cities such as Atlanta and Dunwoody have these type committees. HB 599 passed in the last legislative session and signed into law by Governor Deal requires DeKalb County to have an Audit Committee, similar to the ones in Dunwoody and the City of Atlanta.**
- Brookhaven Finance Corporation.
- Alcohol license revenue and process (note, added to list in August 2016)

Any questions, let me know.

Sincerely,

William J Mulcahy

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 City Auditor
 City of Brookhaven

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